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BALANCING
FOR
EXPERT BOOK-KEEPERS.

G. P. NORTON

YC 24549

University of
California



Lux ex Tenebris.



Claus Spreckels Fund.

BALANCING
FOR
EXPERT BOOK-KEEPERS.

BY
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CHARTERED ACCOUNTANT,
(AUTHOR OF TEXTILE MANUFACTURERS' BOOK-KEEPING, &c.: PRIZEMAN, FINAL
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TO
SIR JOSEPH CROSLAND, Knt., M.P.,
CHAIRMAN OF THE HUDDERSFIELD BANKING COMPANY, LIMITED,
ONE OF THE OLDEST AND MOST ESTEEMED CLIENTS
OF THE AUTHOR'S FIRM.

BY THE SAME AUTHOR—

TEXTILE MANUFACTURERS' BOOK-KEEPING

THIRD EDITION.

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"One of the best treatises we have seen, certainly the best we have reviewed for some years."—*Accountant*.

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PREFACE.

THE author's aim in the publication of this work is not to teach Book-keeping, but to expound a system of *balancing* books.

The treatise is designed to meet the needs of those who, having acquired by practical experience a fair knowledge of book-keeping, are deficient in the ability to balance their books, and also of those who are able to balance, but only by imperfect, laborious and unsatisfactory methods.

The author has endeavoured to give a clear conception of the end to be accomplished, regarding that as of paramount importance; and with this aim the Synopsis of Contents is designed as well to give a brief but comprehensive outline of the system, as to serve the usual purpose of an Index.

The explanations and specimen accounts are condensed to what is essential—for all elaboration would have been at the expense of lucidity—and the reader, having his mind but little encumbered by illustrative figures and accounts, it is hoped will be able to find more effective illustrations in the books under his charge, and to apply direct to them the explanations given.

The system of balancing here described was developed out of the best modern methods in practical use. It was completed by the author about eleven years ago, and has since been in operation in a large number of counting houses.

It has been applied to a great variety of trades, both at home and abroad, and to the books of some of the most important firms in the country. No system has been more thoroughly tested, and the author believes that it combines the advantages of all practical expedients adopted by the most skilful accountants to secure simplicity, swiftness, comprehensive verification and facility in the detection of errors.

The wide circulation attained by the author's work on Textile Manufacturers' Book-keeping, and his full confidence in the intrinsic merits of the system of balancing here described, encourages him to hope for a kindly reception of this book by the numerous class of practical book-keepers for whom it is written.

GEO. P. NORTON.

HUDDERSFIELD,

JANUARY, 1894.

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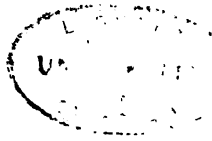
INTRODUCTION.

THE proper function of a text book on the general science of Book-keeping should be to supplement and render more exact knowledge gained by empirical means. An art with such extensive ramifications cannot be explained in a single treatise, and to be taught thoroughly it must be dealt with piecemeal; for each branch of trade requires particular information, and peculiar methods in the organization and ruling of its books. Balancing, however, may well form the subject of a distinct treatise. It is general in its application,—as all books should be balanced,—and it completes, and renders scientific, methods evolved out of practical experience. By a careful study of the following pages, a book-keeper of average ability should in a short time be able to master this supreme difficulty of his vocation, and to balance any books that may be placed under his charge.

It is assumed that the reader will have a practical acquaintance with book-keeping. The methods to which he is accustomed may not altogether correspond with those described in this treatise, but the explanations given should enable him to conform to them in all essential points. In all the methods described primary consideration has been given to simplicity, and of two means, equal in other respects, the more expeditious has in every instance been adopted. The book-keeper should endeavour to clearly understand the precise purpose and function of each book

that he employs. For exactly in proportion as he comprehends the object that he has to accomplish, will he be simple and swift in the means which he adopts.

Without entering into debateable theories, it may be said that all scientific Book-keeping pre-supposes the employment of two typical books,—(1) a *book of entry*, in which all transactions are recorded, and (2) a *ledger*, into which all recorded transactions are transcribed or posted from the book of entry. Each transaction is thus entered in one book, and posted to another; and an equilibrium between the two books is established which forms the basis of all systems of balancing. There may be several books of entry and several ledgers, but however extensive the sub-division of the books, this equilibrium is always maintained. The books of entry are sub-divided to correspond with the classification of the business transactions, and, therefore, are more or less numerous according to the variety of the transactions. The number of the ledgers employed also depends upon the variety of the accounts. The books enumerated in the succeeding pages are selected as representing the classification required by ordinary trading concerns.



CHAPTER I.

THE BOOKS EMPLOYED AND THEIR FUNCTIONS.

Sec. 1. There are in common use seven well-known *books of entry*, in which the transactions of ordinary business are recorded. There are also in common use three *ledgers*, into which transactions are transcribed or posted from the books of entry.

Sec. 2. The Books of Entry are as follows, viz.:—

1. **Purchases Day Book**, (*a*) in which are recorded all invoices received for things purchased, and also accounts for work done.
2. **Returns and Claims (Purchases) Day Book**, in which are recorded all returns and claims made in respect of purchases.
3. **Sales Day Book**, in which are recorded goods sold.
4. **Returns and Allowances (Sales) Day Book**, in which are recorded all returns and allowances made in respect of goods sold.
5. **Cash Book**, on the left hand side of which are recorded all amounts received, and on the right hand side all amounts paid.
6. **Bills Payable Book**, in which are recorded all bills given (or accepted).
7. **Bills Receivable Book**, in which are recorded all bills received (or drawn).

(*a*) The Purchases Day Book is sometimes styled Invoice Book or Bought Book.

It will be observed that the entries in the foregoing books comprise :—

1. {
 - A. Things bought.
 - B. The same things returned, or claims made in respect of them.
 - C. Cash and Bills paid.
2. {
 - A. Things sold.
 - B. The same things returned or allowances made in respect of them.
 - C. Cash and Bills received.

If Discounts (*b*), obtained and allowed, are added, every transaction likely to arise in ordinary business is included.

Sec. 3. The three Ledgers are as follows, viz. :—

1. **The Purchases Ledger**, which is appropriated exclusively to personal accounts with firms from whom goods or other requisites are purchased.
2. **The Sales Ledger**, which is used in contradistinction from the Purchases Ledger, and is appropriated exclusively to personal accounts with firms to whom goods are sold.
3. **The Private Ledger**, which contains Property and Nominal accounts, Balance Sheets, and other private accounts.

The Private Ledger is often subdivided, to allow the ordinary business accounts to be balanced by the book-keeper without reference to accounts of a private nature. The Nominal, or Impersonal accounts are contained in a separate book—usually styled the Nominal or the Impersonal Ledger—to which the book-keeper has access. The Private Ledger proper, being kept under lock and key, is only referred to when the Balance Sheet is prepared.

(*b*) Discounts are usually treated through additional columns in the Cash Book.

Sec. 4. It is quite customary for several Cash Books, and *Purchases* and *Sales* Day Books and Ledgers to be used, but it is not necessary here to speak of more than one. The principles of book-keeping are precisely the same, whether one or more books of each sort are employed.

CHAPTER II.

POSTING.

Sec. 5. If the reader is acquainted with the principles of double entry book-keeping, he will know that the *Ledgers are for POSTINGS ONLY*; that every transaction must first be *entered* in one of the books of entry, and afterwards *posted* to the Ledger. If this rule be disregarded, the books cannot be balanced.

Sec. 6. Although it is not the function of this treatise to explain how books should be kept, it is necessary, for the sake of lucidity, to call attention to the manner of posting the transactions entered in the several books of entry which we have chosen for example. (See sec. 2).

1. **Purchases Day Book.** Each individual entry in this book is posted to the **Cr.** side of the account to which it belongs in the *Purchases* Ledger, and, at the period of balancing (*c*), the total sum of the entries is posted to the **Dr.** side of accounts (*d*) in the *Private* Ledger.
2. **Returns and Claims (Purchases) Day Book.** Each individual entry is posted to the **Dr.** side of the *Purchases* Ledger, and, at the period of balancing, the total sum of the entries is posted to the **Cr.** side of the (*d*) *Private* Ledger.

(*c*) The periods of balancing may be monthly, quarterly, half-yearly, or at other intervals, but throughout our illustrations quarterly periods are chosen as being generally most convenient.

(*d*) The totals of the *Purchases Day Book* and *Returns and Claims (Purchases) Day Book* are usually analysed for the purpose of classifying the purchases under several distinct heads, and the amount under each head is posted to a corresponding account in the *Private* Ledger.

3. **Sales Day Book.** Each individual entry is posted to the **Dr.** side of the *Sales* Ledger, and, at the period of balancing, the total sum of the entries is posted to the **Cr.** side of the *Private* Ledger (e).
4. **Returns and Allowances (Sales) Day Book.** Each individual entry is posted to the **Cr.** side of the *Sales* Ledger, and, at the period of balancing, the total sum of the entries is posted to the **Dr.** side of the *Private* Ledger (e).
5. **Cash Book (left hand side).** Each individual entry is posted to the **Cr.** side of an account in either the *Sales*, *Purchases* or *Private* Ledger, and, at the period of balancing, the total sums (f) of the entries are posted to the **Dr.** side of accounts in the *Private* Ledger.

Cash Book (right hand side). Each individual entry is posted to the **Dr.** side of an account in either the *Purchases*, *Sales* or *Private* Ledger; and, at the period of balancing, the total sums (f) of the entries are posted to the **Cr.** side of accounts in the *Private* Ledger.

6. **Bills Payable Book.** Each individual item is posted from the Bills Payable Book to the **Dr.** side of an account (of the firm to whom the bill is given) in the *Purchases* Ledger, and, at the period of balancing, the total sum of the Bills entered is posted to the **Cr.** side of the Bills Payable account in the *Private* Ledger (g).

(e) Usually to a Sales Account or Goods Account.

(f) Usually the Cash Book is ruled with three money columns on each side, (1) for Discounts, (2) for Cash, (3) for the Bank. The totals of these columns are posted to Discounts Account, Cash Account and Bank Account respectively in the *Private* Ledger; the commencing and closing *balances* (Cash and Bank) being omitted.

7. **Bills Receivable Book.** Each individual item is posted to the **Cr.** side of an account (of the firm from whom the bill is received) in the *Sales* Ledger, and, at the period of balancing, the total sum of the Bills entered is posted to the **Dr.** side of the Bills Receivable Account in the *Private* Ledger (*g*).

It will, therefore, be seen that from all the books of entry the items are posted *individually* to the Ledgers from day to day, and the principle of double entry is carried out by posting the *totals* at the period of balancing to the reverse side of the Ledger.

Sec. 7. The Journal is sometimes used as a posting medium for the purpose of collecting these totals, but in the great majority of cases its use is superfluous; and where the Test Journal, hereinafter referred to, is employed, such journalizing is quite needless.

The Journal is, however, frequently employed as a book of entry for odd transactions which do not come within the scope of any of the books of entry. With proper organisation, and well adapted books, the Journal is seldom required, but, if it is used, an abstract should be made on each page, and carried forward to the period of balancing, showing the total posted from the Journal to the **Dr.** and **Cr.** respectively of each Ledger.

(*g*) The Bill Books are sometimes ruled so as to serve the purpose of the Private Ledger accounts, as well as a record of the Bills. The Bills Payable and Receivable Accounts are not then required in the Private Ledger.

The Cash paid and received on account of the Bills is of course entered in the Cash Book, and posted from the Cash Book to the Private Ledger Account, or to the Bill Books if they are so ruled.

Sec. 8. The foregoing section (6) shows to which ledger transactions are posted *from each of the books of entry*; and, conversely, it is desirable to show from which books of entry transactions are posted *to each of the ledgers*.

1. Purchases Ledger.—The ordinary postings on the **Cr.** side of accounts in the Purchases Ledger are all transcribed from the Purchases Day Book.

The ordinary postings on the **Dr.** side of accounts in the Purchases Ledger represent payments, discounts, returns, and deductions, in discharge of the liabilities incurred for things purchased, and are transcribed from the following sources, viz. :—

- (i.) The right hand side of the Cash Book, both amounts paid and discounts. (See sec. 6, sub-sec. 5).
- (ii.) The Returns and Claims (Purchases) Day Book. (See sec. 6, sub-sec. 2).
- (iii.) The Bills Payable Book. (See sec. 6, sub-sec. 6).

2. Sales Ledger.—The ordinary postings on the **Dr.** side of accounts in the Sales Ledger are all transcribed from the Sales Day Book.

The ordinary postings on the **Cr.** side of accounts in the Sales Ledger represent amounts received, discounts, returns, and allowances in discharge of debts due to the concern in respect of goods sold, and are transcribed from the following sources, viz :—

- (i.) The left hand side of the Cash Book, both amounts received and discounts. (See sec. 6, sub-sec. 5).
- (ii.) The Returns and Allowances (Sales) Day Book. (See sec. 6, sub-sec. 4).
- (iii.) The Bills Receivable Book. (See sec. 6, sub-sec. 7).

3. **Private Ledger.**—The ordinary postings to the **Dr.** side of the accounts in the Private Ledger are transcribed from the following sources, viz. :—

- (i.) The right hand side of the Cash Book. (See sec. 6, sub-sec. 5).
- (ii.) The totals of the Purchases Day Book, at the period of balancing. (See sec. 6, sub-sec. 1).
- (iii.) The total of the Returns and Allowances (Sales) Day Book, at the period of balancing. (See sec. 6, sub-sec. 4).
- (iv.) The totals of the Discount, Cash and Bank columns, on the left hand side of the Cash Book, at the period of balancing. (See sec. 6, sub-sec. 5).

The ordinary postings to the **Cr.** side of accounts in the Private Ledger are transcribed from the following sources, viz. :—

- (i.) The left hand side of the Cash Book. (See sec. 6, sub-sec. 5).
- (ii.) The total of the Sales Day Book, at the period of balancing. (See sec. 6, sub-sec. 3).
- (iii.) The total of the Returns and Claims (Purchases) Day Book, at the period of balancing. (See sec. 6, sub-sec. 2).
- (iv.) The totals of the Discount, Cash and Bank Columns, on the right hand side of the Cash Book, at the period of balancing. (See sec. 6, sub-sec. 5).

Exceptional transactions cause deviations from the ordinary sources of posting, but the exceptions are rare, and all that is necessary is to mark the exceptional items distinctly in the book of entry from which they are posted, so that they may be placed in their proper classification. Separate accounts should be kept in the Purchases and Sales Ledgers for firms with whom both purchases and sales are transacted; and where distinct settlements are not made, the contra accounts should be adjusted by transfer from one ledger account to the other.

CHAPTER III.

ABSTRACTING, VERIFYING AND CLASSIFYING.

Sec. 9. It has been stated (sec. 5) that every business transaction should be—

- (i.) *entered* in a book of entry.
- (ii.) *posted* to the ledger.

It is evident, therefore, that the *entry* should agree with the *posting*, and, further, that the *sum of the entries* should agree with the *sum of the postings*.

In order to ascertain whether the sum of the entries agrees with the sum of the postings, it is necessary to abstract both.

The *entries* are abstracted from the books of entry into a book called the **Test Journal**.

The *postings* are abstracted from the ledgers into a book called the **Balance Book**.

Sec. 10. To facilitate the process of verification—

- (i.) the *entries* are classified according to the ledgers to which they have been posted, and
- (ii.) the *postings* abstracted from each ledger are kept separate.

The sums of the entries, as classified, may then be compared with the sums of the postings, as abstracted from the respective ledgers; and the ledgers may thus be balanced, or verified one by one, and the **Dr.** and **Cr.** sides of each separately. Mistakes are in this way localised, and may be discovered by examining only those books where the abstract of entries does not agree with the corresponding abstract of postings.

Sec. 11. The classification of the entries is quite simple in regard to all the books of entry except the Cash Book. (See sec. 15). From both sides of the Cash Book, postings are made to all the ledgers; and where the items are numerous, it is desirable to make special provision in the ruling of the Cash Book for classifying the entries as the book-keeping proceeds.

Additional columns should be provided to receive the totals of the individual postings to each ledger. In the specimen form of Cash Book, page 13, the first item received, on the left hand side, £269 18s. 10d., with discount £6 16s. 9d., making together £276 15s. 7d., is posted to the Sales Ledger, and the total amount so posted is extended into the "Totals posted" column headed *Sales Ledger*; the second item, £1 2s. 6d., is posted to the Private Ledger, and extended into the "Totals posted" column headed *Private Ledger*. The first item paid, on the right hand side, £34 18s. 0d., with discount, 12s. 7d., making together £35 10s. 7d., is posted to the Purchases Ledger, and the total is extended into the "Totals posted" column headed *Purchases Ledger*; the second item, £3 0s. 0d., is posted to the Private Ledger, and extended into the "Totals posted" column headed *Private Ledger*.

Many forms of Cash Book are ruled with a single column for the total,—for, in posting to the Ledger, the cash and discount must necessarily be added together, and the addition cannot anywhere be made more conveniently than alongside the entry. It is obvious that the use of two total columns, instead of one, does not add to the work of the book-keeper, while it accomplishes the required classification. The "Totals posted" columns may be used with any form of Cash Book, and the method of keeping the book is immaterial.

Form of Cash Book with columns for classifying the entries according to the Ledgers to which they are posted.

LEFT HAND SIDE.

RIGHT HAND SIDE.

Date.	Led. Fo.	Discount.	Cash.	Bank.	TOTALS POSTED.		Date.	Led. Fo.	Discount.	Cash.	Bank.	TOTALS POSTED.	
					Sales Ledger.	Private and Purchases Ledgers.						Purchases Ledger.	Private and Sales Ledgers.
1892 July 17	Browning & Swinburne	1	6 16 9	389 18 10	276 15 7	.. ..	1892 July 14	1	0 12 7	.. ..	84 18 0	35 10 7	.. ..
" 18	F. Turner & Co. . . .	10	.. ..	1 2 6	.. ..	1 2 6	" 15	7	.. ..	3 0 0	.. ..	.. ..	3 0 0

In the form of Cash Book shewn above, all amounts received and *banked*, are entered direct into the left hand "Bank" column; all amounts paid by *cheque or order on the bank* are entered direct into the right hand "Bank" column. All other receipts and payments are entered in the "Cash" columns. The book is in effect a combination of two distinct books; the "Cash" columns form a Cash Book of solely *cash* transactions; the "Bank" columns form a Bank Book of solely *bank* transactions. Occasional withdrawals from the bank of cash for current disbursements, or deposits in the bank of accumulated cash, are recorded by contra entries.

Sec. 12. In practice—(in most classes of business)—it will be found that almost every entry on the left hand side of the Cash Book is posted, either—

- (i.) to the Sales Ledger, or
- (ii.) to the Private Ledger (*h*).

Conversely, almost every entry on the right hand side is posted, either—

- (i.) to the Purchases Ledger, or
- (ii.) to the Private Ledger (*h*).

In case of an occasional entry on the left hand side which has to be posted to the *Purchases* Ledger, or one on the right hand side which has to be posted to the *Sales* Ledger, it should be written in *red ink* and the description *Pur. L.*, or *S. L.* should be marked alongside. These exceptional items can thus be readily picked out at the period of balancing.

In checking postings, the book-keeper should call over, and compare with the Ledgers, the amounts extended into one classification column (of totals posted) before passing to those extended into another. He will thus effectually guard against amounts being extended into the wrong column; and he will, moreover, get through his work more expeditiously, as he will be dealing with only one ledger at a time.

(*h*) Where other Ledgers, that do not come under the description of Purchases or Sales Ledgers, are employed,—or where the transactions are irregular—it may be desirable to have three ledger classification columns on either side of the Cash Book for "Totals Posted." The object is to classify the entries, and the means of classification must be determined according to the peculiarities of each particular case. The classification can be made from any Cash Book by analysing the items, but the money expended in purchasing a new book, properly ruled with columns, will be well repaid by the saving of time effected.

As a check upon the additions of the Cash Book, it is obvious that the sum of the totals of the classification columns (of totals posted) should agree with the sum of the totals of the columns containing the entries (*i.e.* of the Discount, Cash, and Bank columns). Of course the commencing and closing *balances* (Cash and Bank) must be omitted from consideration.

CHAPTER IV.

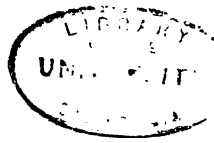
EXAMPLES.

The general principles upon which balancing is effected having been explained, the next step is to apply those principles to an example taken from actual practice.

Sec. 13. The following outline accounts are supposed to represent those of the firm of Stuart Mill and Ruskin for the year, 1892. The balances standing in the firm's books at the commencement of the year are as set out below.

Purchases Ledger,—Sundry Creditors on January 1st, 1892, viz. :—

Folio.	£	s.	d.
1 Besant & Rice	170	9	6
2 Haggard & Lang	37	18	5
3 Jerome, Kipling & Co.....	321	2	4
4 Tyndal, Caird & Co....	557	18	3
5 Gore & Lightfoot	842	7	8
6 Thomas Carlyle	426	9	10
7 Grimm, Anderson & Co.....	3055	18	11
8 Carroll & Molesworth ..	66	8	10
9 Spencer & Clodd, Limited	84	10	6
10 Arnold, Parker & Co.	372	1	8
	<hr/>		
	5935	5	11
	<hr/>		



Sales Ledger,—Sundry Debtors on January 1st, 1892, viz:—

Folio.		£	s.	d.
1	Browning & Swinburne	240	16	2
2	Correlli, Flammarion & Co.	932	1	8
3	Grant Allen, Limited	2572	10	1
4	Darwin, Drummond & Co.	2715	8	6
5	Linton & Lyall	2496	10	8
6	Wace & Huxley	2285	15	3
7	Frederic Harrison	1972	10	1
8	Humphry Ward & Co.	1340	17	3
9	Emerson & Lowell	1741	6	3
10	Oliver Wendell Holmes & Co.	1510	12	4
11	Hawthorne, Harte & Co.	2230	15	7
12	Liddell & Scott	120	10	6
		20159	14	4

The Private Ledger contains the following accounts, viz:—

Folio.	Dr. Balances January 1st, 1892.			Cr. Balances January 1st, 1892.			
	£	s.	d.	£	s.	d.	
1	Purchases .....	....	....	....	....	....
2	Carriage .....	....	....	162	19	6
3	Wages .....	....	....	....	....	....
4	Sales .....	....	....	....	....	....
5	Rent, Rates, Taxes, &c. ....	....	....	950	5	0
6	Office Salaries .....	....	....	....	....	....
7	Travellers' Salaries and Expenses .....	....	....	....	....	....
8	Discount on Sales .....	....	....	504	0	0
9	Discount on Purchases	148	8	4	....	....
10	Trade Charges.....	....	....	110	7	6
11	Bad Debts.....	....	....	....	....	....
12	Stuart Mill, Drawings .....	....	....	....	....	....
13	John Ruskin, Drawings .....	....	....	....	....	....
14	Cash	187	10	6	....	....
15	Bank .....	....	....	2150	16	6
16	Contras .....	....	....	....	....	....
17	Bills Payable .....	....	....	7228	7	7
18	Bills Receivable	6317	13	6	....	....
19	Stuart Mill, Capital .....	....	....	63887	6	4
20	John Ruskin, Capital.....	....	....	17326	6	2
21	Plant and Machinery.....	21190	6	0	....	....
22	Trading Account (Stock)	49752	1	10	....	....
		77596	0	2	91820	8	7

The foregoing balances are arranged in the form of a Balance Sheet on page 27.

Sec. 14. New accounts are opened as follows, viz. :—

During the quarter ended 31st March, 1892, in the *Purchases Ledger*, Folio 11 Keats, Herbert & Co., Folio 12 Farrar and Geikie; in the *Sales Ledger*, Folio 13 Fielding and Lever.

During the quarter ended 30th June, 1892, in the *Purchases Ledger*, Folio 13 Henry Morley & Co.; in the *Sales Ledger*, Folio 14 Haslam, Hume & Co., Folio 15 George Eliot.

During the quarter ended 31st December, 1892, in the *Sales Ledger*, Folio 16 Gosse & Crabbe.

Sec. 15. The entries in each of the books of entry during the first, second, third and fourth quarters of the year ended 31st December, 1892, are given below (i).**1. Purchases Day Book, sundry entries making up—**

			£	s.	d.
a total for the quarter ended 31st March, 1892, of			14,184	16	9
do.	do.	30th June, 1892, of	14,103	15	4
do.	do.	30th Sept., 1892, of	14,662	2	8
do.	do.	31st Dec., 1892, of	12,149	18	5

As explained in sec. 6, sub-sec. 1, each individual entry in this book is posted to the **Cr.** side of the account to which it belongs in the *Purchases Ledger*, and the total of each quarter (*i.e.*, each period of balancing) is posted to the **Dr.** side of several accounts in the *Private Ledger*. (See note (d) page 6).

2. Returns and Claims (Purchases) Day Book, sundry entries making up—

			£	s.	d.
a total for the quarter ended 31st March, 1892, of			316	14	6
do.	do.	30th June, 1892, of	622	11	2
do.	do.	30th Sept., 1892, of	160	8	7
do.	do.	31st Dec., 1892, of	721	19	3

As explained in sec. 6, sub-sec. 2, each individual entry is posted to the **Dr.** side of the *Purchases Ledger*, and the total of each quarter is posted to the **Cr.** side of the *Private Ledger*. (See note (d) page 6).

(i) It is both unnecessary, and beyond the scope of the present treatise, to set out in detail the several transactions which are supposed to be recorded in the books of entry. The quarterly total of each book is given; and it is immaterial, for the purpose of explaining the system of balancing, of what items the total is made up.

3. Sales Day Book, sundry entries making up—

			£	s.	d.
a total	for the quarter ended 31st March, 1892, of		25,395	17	0
do.	do.	30th June, 1892, of	27,262	18	10
do.	do.	30th Sept., 1892, of	19,473	3	5
do.	do.	31st Dec., 1892, of	24,721	11	1

As explained in sec. 6, sub-sec. 3, each individual entry is posted to the **Dr.** side of the *Sales* Ledger, and the total of each quarter is posted to the **Cr.** side of the *Private* Ledger, *i.e.*, to the Sales Account.

4. Returns and Allowances (Sales) Day Book, sundry entries making up—

			£	s.	d.
a total	for the quarter ended 31st March, 1892, of		781	4	8
do.	do.	30th June, 1892, of	663	13	4
do.	do.	30th Sept., 1892, of	768	17	2
do.	do.	31st Dec., 1892, of	918	11	7

As explained in sec. 6, sub-sec. 4, each individual entry is posted to the **Cr.** side of the *Sales* Ledger, and the total of each quarter is posted to the **Dr.** side of the *Private* Ledger, *i.e.* to the Sales Account.

5. Cash Book, left hand side, sundry entries in the three columns making up totals for the quarter ended 31st March, 1892, as follows, viz:—

Discounts.	Cash.	Bank.	Total.
£194 15s. 4d.	£5600 3s. 6d.	£19,066 19s. 2d. =	£24,851 18s. 0d.

As explained in sec. 6, sub-sec. 5, each individual entry is posted to the **Cr.** side of an account in either the *Sales*, *Purchases*, or *Private* Ledger. In order to ascertain the total amount posted respectively to each of these ledgers, it is necessary to classify the individual entries. The manner of classifying the entries has been explained in secs. 11 and 12.

In the example, the classification of the entries which have been posted *individually* is assumed to result as follows, viz:—

			£	s.	d.
Posted to Cr. of Sales Ledger ..	..	..	7120	1	11
Posted to Cr. of Private Ledger ..	..	..	17,731	16	1
Total Postings to Cr. ..	..	..	24,851	18	0 (j)

The *totals* of the quarter's entries, as contained in the three columns, are posted to the **Dr.** side of the *Private Ledger*, as follows, viz :—

	£	s.	d.
Posted to Dr. Discounts on Sales Account ..	194	15	4
Posted to Dr. Cash Account	5600	3	6 (k)
Posted to Dr. Bank Account	19056	19	2 (k)
Total Postings to Dr...	24,851	18	0 (j)

The entries during the three succeeding quarters are of course dealt with in the same manner, and the sundry entries on the left hand side of the Cash Book for all the four quarters are as set out on page 21.

Cash Book, right hand side, sundry entries in the three columns making up totals as set out on page 21.

As explained in sec. 6, sub-sec. 5, each individual entry is posted to the **Dr.** side of an account in either the *Purchases*, *Sales*, or *Private Ledger*, and the totals of the quarters' entries, as contained in the three columns, are posted to the **Cr.** side of the *Private Ledger*.

(j) A note should be made in the Cash Book at each quarterly period of balancing, showing the classification and manner of posting the totals as above given, and the Test Journal should be entered up from the note.

(k) The Cash Account and Bank Account in the Private Ledger merely receive the quarterly totals of their respective columns in the Cash Book (excluding the commencing and closing balances). These totals are posted to the ledger in order that the Cash Book may be regarded as a book of entry, and not, as is frequently the case, made to serve the purpose both of a book of entry and a ledger account of the Cash and Bank. It will also be observed that the abstract of postings in the Balance Book would not agree with the abstract of entries in the Test Journal if the Bank Account and Cash Account were omitted from the Ledger.

The Cash Book is assumed in the example to be kept by the method shewn on page 13.

Summary of Entries on the left hand side of Cash Book.

	Posted in totals to Dr. of Private Ledger.			Posted in individual items to Cr			
	Discounts on Sales Account	Cash Account.	Bank Account.	Purchases Ledger.	Sales Ledger.	Private Ledger.	
For the quarter ended 31st March, 1892 ..	194 15 4	+ 5600 3 6	+ 19056 19 2	= 24851 18 0	=	7120 1 11	+ 17731 16 1
Do. 30th June, 1892 ..	523 17 5	+ 6402 10 1	+ 22766 12 6	= 28698 0 0	=	23 8 0	+ 19799 14 0
Do. 30th Sept., 1892 ..	495 6 0	+ 5684 10 0	+ 20948 8 7	= 27128 4 7	=	201 1 7	+ 18107 13 0
Do. 31st Dec., 1892 ..	593 15 1	+ 6716 10 11	+ 26937 3 11	= 34247 9 11	=	174 9 6	+ 22518 6 8
							+ 11554 13 9

Summary of Entries on the right hand side of Cash Book.

	Posted in individual items to Dr.*			Posted in totals to Cr. of Private Ledger.			
	Purchases Ledger.	Sales Ledger.	Private Ledger.	Discounts on Purchases Account.	Cash Account.	Bank Account.	
For the quarter ended 31st March, 1892 ..	6075 12 10	+ 141 9 11	+ 19612 17 1	= 25829 19 10	= 158 2 11	+ 5738 0 2	+ 19933 16 9
Do. 30th June, 1892 ..	6620 11 9	+ 10 5 0	+ 10331 10 10	= 25962 7 7	= 170 9 6	+ 5534 10 9	+ 20257 7 4
Do. 30th Sept., 1892 ..	8862 5 10	+ 241 18 9	+ 20305 4 5	= 29409 9 0	= 233 7 4	+ 6549 15 5	+ 22626 6 3
Do. 31st Dec., 1892 ..	10183 2 10	+ 358 10 11	+ 20985 1 3	= 31526 15 0	= 256 16 7	+ 6651 10 10	+ 24618 7 7

* The manner of classification of the entries is the same on the right as on the left hand side of the Cash Book. (See secs. 11 and 12).

6. Bills Payable, sundry entries making up :—

			£	s.	d.
a total for the	quarter ended	31st March, 1892, of	4277	4	10
do.	do.	30th June, 1892, of	3773	7	2
do.	do.	30th Sept., 1892, of	8386	9	9
do.	do.	31st Dec., 1892, of	3843	11	4

As explained in sec. 6, sub-sec. 6, each individual item is posted from the Bills Payable Book to the *Dr.* side of the *Purchases* Ledger, and the total of each quarter is posted to the *Cr.* side of the Bills Payable Account in the *Private* Ledger.

7. Bills Receivable, sundry entries making up :—

			£	s.	d.
a total for the	quarter ended	31st March, 1892, of	4480	13	3
do.	do.	30th June, 1892, of	6878	3	5
do.	do.	30th Sept., 1892, of	5974	19	5
do.	do.	31st Dec., 1892, of	8720	15	4

As explained in sec. 6, sub-sec. 7, each individual item is posted to the *Cr.* side of the *Sales* Ledger, and the total of each quarter is posted to the *Dr.* side of the Bills Receivable Account in the *Private* Ledger.

Sec. 16. Transfers.—The following transfers are made during the year, viz :—

During the quarter ended 31st March, 1892.

Dr. Private Ledger Folio 11.	}	£90 7s. 11d.
Cr. Sales Ledger Folio 12.		
Dr. Purchases Ledger Folio 6.	}	£25 6s. 5d.
Cr. do. Folio 12.		

During the quarter ended 30th September, 1892.

Dr. Private Ledger Folio 11.	}	£237 10s. 6d.
Cr. Sales Ledger Folio 12.		

This completes the record of entries in the books of entry, and from the foregoing figures the Test Journal is compiled.

Sec. 17. At the end of the year, 31st December, 1892, the following items,—which are not recorded in the books,—require to be taken into account in preparing the Balance Sheet and Trading Account, viz:—

	£	s.	d.
Amount owing for Carriage	175	17	8
Do. Rents, Rates, Taxes, etc.	946	8	10
Do. Trade Charges	85	13	10
	<hr/>		
Total.....	1208	0	4
	<hr/>		
To be deducted from Sundry Creditors for Discounts	192	9	10
Do. Sundry Debtors do.	517	2	4
To be deducted from the value of Plant and Machinery for Depreciation.....	1588	10	0
Stock on hand on 31st December	48676	2	5
Interest on Capital, Stuart Mill.....	3118	2	3
Do. John Ruskin	848	5	4

Sec. 18. It is unnecessary to set out the ledger accounts in detail. The names of the personal accounts in the Purchases and Sales Ledgers are already given on pages 16 & 17; and it will suffice for the purpose of illustration to give in detail one account from the Purchases and one from the Sales Ledger. (See Specimen Accounts page 26).

CHAPTER V.

SPECIMEN ACCOUNTS.

A	PURCHASES LEDGER ACCOUNT	...	...	page	26
B	SALES LEDGER ACCOUNT	...	...	„	26
C	BALANCE SHEET, January 1st, 1892	...	...	„	27
D	BALANCE BOOK	...	...	pages	28—31
E	TEST JOURNAL	...	...	„	32—33
F	TRADING ACCOUNT	...	...	„	34—35
G	BALANCE SHEET, December 31st, 1892			„	34—35
	KEY TO CHAPTERS IV. AND V.	...	...	„	36—37

PURCHASES LEDGER. Folio 1.

Dr.								Besant & Rice.								Cr.							
1892								1892															
Feb.	10	To Bills Payable.. alicc. 6d.	✓	11	170	9	6	Jan.	1	By Balance.....	✓		170	9	6								
April	17	" Returns		64	27	18	4	Mar.	9	" Goods		49	116	0	1								
May	10	" Bills Payable		24	230	7	0	31	" " 248 : 5 : 4	✓		64	183	5	3								
June	10	" Bills Payable		28	270	1	8	April	24	" Goods		78	26	1	4								
			✓					26	" " 270 : 1 : 8	✓		79	244	0	4								
July	14	" Cash.....Dis. 12 : 7		6	85	10	7	May	29	" Goods		97	24	6	3								
								31	" " 85 : 10 : 7	✓		99	11	4	4								
Aug.	10	" Bills Payable		88	182	10	0	June	25	" Goods	✓	121	182	10	0								
Sept.	10	" Bills Payable	✓	87	79	18	2	July	20	" Goods		144	9	8	7								
								26	" " 79 : 18 : 2	✓		148	70	9	7								
Nov.	17	" Cash		2 : 9 : 7	10	99	9	Sept.	17	" Goods	✓	179	99	9	7								
Dec.	15	" Cash		1 : 7	11	3	4	Oct.	25	" Goods	✓	202	3	4	5								
Nov.	20	" Returns	✓	219	7	4	1	Nov.	19	" Goods	✓	219	82	1	6								
								Dec.	18	" "	✓	231	17	4	5								
								26	" "	✓		228	92	15	1								

SPECIMEN ACCOUNT B.

SALES LEDGER. Folio 1.

Dr.							Browning & Swinburne.							Cr.						
1892							1892													
Jan.	1	To Balance	✓	240	16	2	Jan.	21	By Returns, &c.	1	30	2	6							
	7	" Goods		1	126	7	7	Feb.	12	" " "	7	18	5	7						
	13	" "		4	94	9	10	May	1	" Cash Dis. 18 : 19 : 10	5	756	15	10						
	20	" "		7	3	5	7													
Feb.	10	" "		10	56	2	6													
	22	" "		12	27	3	5													
Mar.	18	" "		15	26	17	4													
	28	" "		25	220	1	6													
		795 : 8 : 11	✓							795 : 8 : 11										
April	21	" Goods		81	121	18	9	May	28	" Allowance	21	1	10	9						
May	4	" "		39	57	8	6	July	17	" Cash	6 : 16 : 9	7	276	15	7					
	15	" "		47	79	8	3													
	19	" "		51	19	10	10													
		278 : 6 : 4								278 : 6 : 4										
June	25	" Goods		59	84	1	5	Sept	24	" Returns	45	4	12	5						
	29	" "	✓	62	76	3	8	Nov.	21	" Cash	10 : 6 : 5	10	413	7	3					
July	2	" "		71	7	18	4													
Aug.	6	" "		79	83	17	11													
Oct.	10	" "	✓	95	165	18	4													
		417 : 19 : 8								417 : 19 : 8										
Nov.	11	" Goods		110	118	16	2	Dec.	27	" Allowance	54	2	3	10						
Dec.	9	" "		131	198	1	8													
	20	" "	✓	136	53	2	1													

In abstracting the postings into the Balance Book, it is convenient to tick ✓, as shown above, beneath the last postings in each quarter on the Dr. and Cr. sides, so as to distinguish them from the postings of the succeeding quarter.

[illegible]

Leger Follo.	Name or heading of account.	Balances on January 1, 1892.			Postings Quarter ending Mar. 31, 1892.			Post-Quarter June		
		Dr.	Cr.		Dr.	Cr.		Dr.		
Section	I.—Purchases Ledger									
1	Besant & Rice		170	9 6	170	9 6	248	5 4	518	7 0
2	Haggard & Lang		87	18 5	87	18 2	106	7 5	129	10 9
3	Jerome, Kipling & Co.		321	2 4	592	13 9	526	2 6	397	13 10
4	Tyndal, Caird & Co.		557	18 3	572	6 7	415	9 2	401	0 10
5	Gore & Lightfoot		842	7 8	1879	6 5	2269	11 5	1790	11 9
6	Thomas Carlyle		426	9 10	1302	3 4	1174	9 7	851	0 2
7	Grimm, Anderson & Co.		3055	18 11	5118	3 0	6957	2 11	5402	4 8
8	Carroll & Molesworth		66	8 10	92	8 8	125	2 6	120	5 5
9	Spencer & Clodd, Limited		84	10 6	276	1 0	353	16 0	286	15 7
10	Arnold, Parker & Co.		372	1 8	372	1 8	411	16 9	411	16 9
11	Keats, Herbert & Co.				431	11 6	419	14 0	15	6 1
12	Farrar & Geikie						1202	5 7	466	7 8
13	Henry Morley & Co.								175	10 0
	Totals Cr. side		5935	5 11	10694	18 7	14210	3 2	11016	10 1
	Totals Dr. side									
Section	II.—Sales Ledger									
1	Browning & Swinburne	240	16 2		554	7 9		498	11 5	
2	Correlli, Flammarion & Co.	972	1 8		1312	16 6	38	8 1	256	13 9
3	Grant Allen, Limited	2572	10 1		5099	1 11	1127	7 7	2968	3 5
4	Darwin, Drummond & Co.	2715	8 6		1223	15 8		820	6 8	
5	Linton & Lyall	2496	10 8		5232	1 11	1577	17 11	1166	6 11
6	Wace & Huxley	2235	15 3		127	17 7		8212	8 11	
7	Frederic Harrison	1972	10 1		1415	0 8	1237	14 10	233	1 8
8	Humphry Ward & Co.	1840	17 3		160	19 4	2809	19 6	2659	9 0
9	Emerson & Lowell	1741	6 3		476	14 2		541	4 8	
10	Oliver, Wendell, Holmes & Co. .	1510	12 4		5772	4 4	1800	9 10	5965	14 11
11	Hawthorne, Harte & Co.	2230	15 7		3730	17 5	1530	13 11	4111	16 3
12	Liddell & Scott	120	10 6		361	6 6	2543	19 8		
13	Fielding & Lever				65	3 2	244	18 4	4	4 9
	Carried forward	20159	14 4		25537	6 11	10	18 1	23368	6 11
	Carried forward						12472	7 9		

ings ending 30, 1892. Cr.			Postings Quarter ending Sept. 30, 1892. Dr. Cr.			Postings Quarter ending Dec. 31, 1892. Dr. Cr.			Totals (lateral additions).			Balances on Dec. 31, 1892. Dr. Cr.		
488	2	8	297	18	9	109	18	1	1381	10	3	184	16	11
188	4	1	185	16	7	174	19	2	1096	13	4	1	6	0
528	14	4	493	17	8	824	7	2	579	10	8	515	15	5
869	0	8	859	0	8	389	0	0	578	4	8	748	18	4
3328	18	10	4906	19	5	4484	8	8	2824	7	5	1696	2	4
796	11	10	1298	9	10	501	17	1	2808	12	0	476	10	8
5738	14	7	6815	0	4	5937	8	0	2415	6	0	2046	17	3
182	10	10	129	8	5	28	6	8	1671	7	8	25	10	1
408	14	2	486	6	0	359	11	5	14507	8	7	131	16	2
459	11	7	459	11	7	480	7	4	12811	6	8	408	7	6
11	17	6	35	0	0	85	0	0	3923	4	0	..	..	..
980	19	2	1086	17	3	1272	17	9	3446	13	4	927	10	9
720	8	11	960	8	6	792	9	2	25879	12	10	492	6	11
14137	8	4	17409	4	2	14748	13	5	28332	15	7	7580	18	4
758	6	7	274	18	10	561	16	2	390	9	3	367	16	1
1136	5	2	142	16	7	997	8	5	364	19	2	..	..	..
2572	10	1	2585	0	11	4640	6	3	1480	10	2	2857	1	10
2866	6	3	791	10	8	1509	8	10	2766	2	8	2859	16	5
2496	10	8	2045	8	8	8161	5	7	1858	14	0	2800	19	6
1949	12	3	2420	8	10	1811	16	11	1723	17	4	2829	4	7
1095	18	1	1289	16	10	1564	9	3	481	17	7	..	..	..
1674	7	10	185	4	3	1599	14	0	3698	13	5	1736	8	8
469	6	11	1406	10	9	1455	5	5	2766	2	8	1392	14	8
7528	9	2	3607	18	1	2805	12	0	8894	19	6	..	..	..
3439	10	8	237	10	6	..	..	..	9080	1	7	..	..	..
286	18	8	143	5	9	62	0	2	11195	19	0	..	..	..
4	4	9	15131	1	6	20206	1	8	2894	1	7	..	..	..
25728	7	1	21908	7	4	26191	2	3	2894	1	7	..	..	..
8	9	10	11	12	13	14	15							

Days ending 9, 1892. Cr.	Postings Quarter ending Sept. 30, 1892.						Postings Quarter ending Dec. 31, 1892.						Totals (lateral additions).			Balances on Dec. 31, 1892.					
	Dr.			Cr.			Dr.			Cr.						Dr.			Cr.		
25728	7	1		15121	1	6		20206	1	8		26191	2	8	104891	10	11	18101	6	6	..
															86290	4	5				
				2117	5	2		942	8	6					4067	8	2	..			..
210	18	6				590	18	8				8255	11	5	4067	8	2				..
				2476	15	6		850	6	4					5734	4	8	..			..
1407	5	2				2594	19	6				1781	19	7	5734	4	8				..
				..						8582	10	11			3582	10	11	2608	10	7	
												979	0	4	979	0	4				..
				19715	2	2		25080	2	0					117765	9	8	20704	17	1	
27841	10	9				25069	0	1				32157	18	7	97060	12	2				..
				18565	1	2		10492	2	7					48411	10	10	46716	5	6	..
579	6	9				114	14	7				714	15	2	1695	5	4				..
				242	18	7				236	5	7			947	14	8	784	14	9	
				..		..						..			162	19	6				..
				5888	14	4				5890	7	0			21749	12	4	21749	12	4	
			
				768	17	2		918	11	7					8132	6	9	..			..
27262	18	10				19478	8	5				24721	11	1	96853	10	4				98721 3 7
				1869	6	6				679	5	8			3906	2	9	2955	17	9	
				..		..						..			950	5	0				..
				138	8	0				138	8	0			582	12	0	582	12	0	
			
				295	12	6				307	14	7			1218	8	10	1218	8	10	
			
				495	6	0				598	15	1			1807	18	10	1808	18	10	
				..		..						..			504	0	0				..
				..		..						..			148	8	4	..			..
170	9	6				288	7	4				256	16	7	813	16	4				670 8 0
				916	7	2				1175	7	4			4940	4	9	4781	5	2	
27	18	4				10	14	0				7	4	1	158	19	7				..
				287	10	6				..					327	18	5	209	8	2	
				..		..						118	15	8	118	15	8				..
				1521	2	0				1498	0	0			4960	2	10	4860	2	10	
			
				559	0	0				887	10	0			2009	2	0	2009	2	0	
			
				5684	10	0				8716	10	11			24591	5	0	117	7	10	
5584	10	9				6549	15	5				6651	10	10	24473	17	2				..
				20948	8	7				26987	8	11			89709	4	2	122	9	9	
20257	7	4				22626	6	8				24618	7	7	89586	14	5				..
				5500	0	0				6515	0	0			28865	0	0	..			..
6815	0	0				5500	0	0				6515	0	0	28865	0	0				..
				4627	19	8				4827	19	8			19548	6	11	..			..
8778	7	2				8886	9	9				3843	11	4	27509	0	8				7960 13 9
				5974	19	5				8720	15	4			32372	4	11	9780	2	4	
8554	18	0				8819	10	0				4920	18	6	22592	2	7				..
			
				..		..				..					64787	6	4				64787 6 4
			
				..		..				..					17326	6	2				17326 6 2
				398	7	2				1062	4	8			24536	15	8	24458	19	2	
15	6	1				85	0	0				..			77	16	1				..

Ledge Folio.	Name or heading of account.	Balances on January 1, 1892.				Postings Quarter ending Mar. 31, 1892.				Pos Quarte Jun	
		Dr.		Cr.		Dr.		Cr.		Dr.	
Section	II.—Sales Ledger—continued										
	Brought forward	20159	14	4		25537	6	11		23868	6
	Brought forward .....				..			12472	7	9	
14	Haslam, Hume & Co. ....		..		..	..				997	14
15	George Eliot .....		..		..	..				2907	2
16	Gosse & Crabbe .....		..		..	..					..
	Totals Dr. side	20159	14	4		25537	6	11		27278	8
	Totals Cr. side .....				..			12472	7	9	
Section	III.—Private Ledger										
1	Purchases .....		..			12368	1	3		12046	5
					..			286	8	10	
2	Carriage .....		..			225	11	6		248	8
				162	19	6					
3	Wages .....		..			5127	4	8		4858	6
4	Sales .....		..			781	4	8		663	13
					..			25895	17	0	
5	Rents, Rates, Taxes, &c. ....		..			1491	10	11		865	19
				950	5	0					
6	Office Salaries .....		..			188	8	0		188	8
					..						
7	Travellers' Salaries & Expenses		..			302	4	8		312	17
					..						
8	Discount on Sales .....		..			194	15	4		523	17
				504	0	0					
9	Discount on Purchases	148	8	4		..					
					..			158	2	11	
10	Trade Charges .....		..			1306	8	9		1542	1
				110	7	6			2	15	8
11	Bad Debts .....		..			90	7	11			..
					..						
12	Stuart Mill, Drawings .....		..			1261	0	10		580	0
					..						
13	John Ruskin, Drawings .....		..			465	2	0		647	10
					..						
14	Cash	187	10	6		5600	3	6		6403	10
					..			5788	0	2	
15	Bank .....		..			19056	19	2		22766	12
				2150	16	6		19063	16	9	
16	Contras .....		..			5535	0	0		6315	0
					..			5535	0	0	
17	Bills Payable .....		..			4606	18	6		5486	9
				7228	7	7		4277	4	10	
18	Bills Receivable	6317	13	6		4480	13	8		6878	3
					..			10796	16	1	
19	Stuart Mill, Capital .....		..			..					..
				68887	6	4		1400	0	0	
20	John Ruskin, Capital .....		..			..					..
				17826	6	2					
21	Plant and Machinery	21190	6	0		976	8	2		909	9
					..			27	10	0	

TEST JOURNAL.

Books of Entry.	Totals of Books of Entry.	CLASSIFICATION OF ENTRIES.					
		Posted to Dr. side.			Posted to Cr. side.		
		Purchases Ledger.	Sales Ledger.	Private Ledger.	Purchases Ledger.	Sales Ledger.	Private Ledger.
<i>Quarter ending March 31st, 1892.</i>							
Purchases Day Book	14184 16 9	..	..	14184 16 9	14184 16 9	..	316 14 6
Returns and Claims (Purchases) Day Book	316 14 6	316 14 6	..	..	..	..	25395 17 0
Sales Day Book	25395 17 0	..	25395 17 0	..	..	..	781 4 8
Returns and Allowances (Sales) Day Book	781 4 8	..	..	781 4 8	..	..	7120 1 11
Cash Book, left hand side	24851 18 0	..	..	24851 18 0	..	..	25829 19 10
Cash Book, right hand side	25829 19 10	6075 12 10	141 9 11	19612 17 1	..	..	4277 4 10
Bills Payable.....	4277 4 10	4277 4 10	..	..	..	..	4480 13 3
Bills Receivable	4480 13 3	..	..	4480 13 3	..	..	90 7 11
Transfer Dr. P.L. 11, Cr. S.L. 12	90 7 11	..	..	90 7 11	..	..	25 6 5
Do. Dr. Pur. L. 6., Cr. Pur. L. 12....	25 6 5	25 6 5	..	..	25 6 5	..	14210 3 2
	100234 3 2	10694 18 7	25537 6 11	64001 17 8	14210 3 2	12472 7 9	73551 12 3
<i>Quarter ending June 30th, 1892.</i>							
Purchases Day Book	14103 15 4	..	..	14103 15 4	14103 15 4	..	622 11 2
Returns and Claims (Purchases) Day Book	622 11 2	622 11 2	..	..	..	..	27262 18 10
Sales Day Book	27262 18 10	..	27262 18 10	..	..	..	663 13 4
Returns and Allowances (Sales) Day Book	663 13 4	..	..	663 13 4	..	..	19799 14 0
Cash Book, left hand side	29693 0 0	..	..	29693 0 0	23 8 0	..	25962 7 7
Cash Book, right hand side	25962 7 7	6620 11 9	10 5 0	19331 10 10	..	..	3773 7 2
Bills Payable.....	3773 7 2	3773 7 2	..	..	..	..	6878 3 5
Bills Receivable	6878 3 5	..	..	6878 3 5	..	..	14127 3 4
	108959 16 10	11016 10 1	27273 3 10	70670 2 11	14127 3 4	27341 10 9	67491 2 9
	2	3	4	5	6	7	8

Quarter ending September 30th, 1892.

Purchases Day Book	14662 2 8	..	..	14662 2 8	14662 2 8	..	..	160 8 7
Returns and Claims (Purchases) Day Book	160 8 7	160 8 7	..	..	..	..	..	160 8 7
Sales Day Book	19473 3 5	..	19473 3 5	..	..	..	..	19473 3 5
Returns and Allowances (Sales) Day Book	768 17 2	..	..	768 17 2	768 17 2	..	..	768 17 2
Cash Book, left hand side	27128 4 7	..	..	27128 4 7	201 1 7	18107 13 0	..	8819 10 0
Cash Book, right hand side	29409 9 0	8862 5 10	241 18 9	20305 4 5	..	..	..	29409 9 0
Bills Payable	8886 9 9	8886 9 9	..	..	..	..	..	8886 9 9
Bills Receivable	5974 19 5	..	..	5974 19 5	..	5974 19 5	..	5974 19 5
Transfer Dr. P.L. 11, Cr. S.L. 12	237 10 6	..	..	237 10 6	..	237 10 6	..	237 10 6
	106201 5 1	17409 4 2	19715 2 2	69076 18 9	14863 4 3	25089 0 1	60249 0 9	

Quarter ending December 31st, 1892.

Purchases Day Book	12149 18 5	..	..	12149 18 5	12149 18 5	..	..	721 19 3
Returns and Claims (Purchases) Day Book	721 19 3	721 19 3	..	..	..	..	..	24721 11 1
Sales Day Book	24721 11 1	..	24721 11 1	..	..	..	..	24721 11 1
Returns and Allowances (Sales) Day Book	918 11 7	..	..	918 11 7	..	918 11 7	..	918 11 7
Cash Book, left hand side	84247 9 11	..	..	84247 9 11	174 9 6	22518 6 8	..	11554 13 9
Cash Book, right hand side	31526 15 0	10188 2 10	358 10 11	20985 1 3	..	..	..	81526 15 0
Bills Payable	8843 11 4	8843 11 4	..	..	..	..	..	3843 11 4
Bills Receivable	8720 15 4	..	..	8720 15 4	..	8720 15 4	..	8720 15 4
	116850 11 11	14743 13 5	25080 2 0	77021 16 6	12324 7 11	32157 13 7	73868 10 5	

1

2

3

4

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6

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* **KEY** TO CHAPTERS IV. AND V.

- i. The figures given in **Sec. 13**, pages 16 and 17, correspond with those in the **Balance Sheet** on page 27.
- ii. The folios and names of the new accounts mentioned in **Sec. 14**, page 18, are entered in columns 1 and 2 of the **Balance Book**, pages 28 and 30.
- iii. The figures given in **Secs. 15 and 16**, pages 18—22, correspond with those in the **Test Journal**, pages 32 and 33, viz :—

SECTION 15,									
SUB. SEC. I	..	..	..	..	..	with COLUMNS 2, 5 and 6.			
" 2	..	..	..	..	"	"	2, 3 and 8.		
" 3	..	..	..	..	"	"	2, 4 and 8.		
" 4	..	..	..	..	"	"	2, 5 and 7.		
" 5 (Cash Book left hand side)					"	"	2, 5, 6, 7 and 8.		
(" right hand side)					"	"	2, 3, 4, 5 and 8.		
" 6	..	..	..	..	"	"	2, 3 and 8.		
" 7	..	..	..	..	"	"	2, 5 and 7.		
SECTION 16 Transfers	..	..	..	..	"	"	2, 3, 5, 6 and 7.		

- iv. The figures given in **Sec. 17** are referred to in detail in **Chapter VIII.**
- v. **Specimen Accounts A and B**, page 26, are shewn as abstracted into the **Balance Book**, pages 28 and 29 as follows, viz :—
 - A. PURCHASES LEDGER**, folio 1, Besant and Rice, is shewn on the first line of **SECTION I.**
 - B. SALES LEDGER**, folio 1, Browning and Swinburne, is shewn on the first line of **SECTION II.**
- vi. **Specimen Account C**, page 27, is shewn as abstracted into the **Balance Book**, on pages 28 and 30, columns 1, 2, 3 and 4 ; see also para. i. above.

* The reader is recommended,—after reading Chapters VI., VII., and VIII.,—to follow the specimen accounts, with the aid of this **KEY**, through the several stages i. to ix., and to endeavour to thoroughly grasp the significance of each step before passing to the next.

- vii. Specimen Account D, pages 28—31; the totals in the Balance Book agree with the totals in the Test Journal, pages 32 and 33, as follows:—

BALANCE BOOK TOTALS.					TEST JOURNAL TOTALS.		
SECTION	I.	columns	5, 7, 9 and 11	=	COLUMN	3	each quarter.
"	II.	"	"	"	=	"	4
"	III.	"	"	"	=	"	5
"	I.	"	6, 8, 10 and 12	=	"	6	"
"	II.	"	"	"	=	"	7
"	III.	"	"	"	=	"	8
"	IV.	"	{ 5, 7, 9 and 11 } { 6, 8, 10 and 12 }	=	"	2	"

The figures in the BALANCE BOOK COLUMNS 14 and 15 are referred to in detail in CHAPTER VIII.

- viii. Specimen Account E, see iii. and vii.
- ix. Specimen Accounts F and G are referred to in detail in Chapter VIII.

CHAPTER VI.

THE BALANCE BOOK (*l*).

See Specimen Account D, pages 28—31.

Sec. 19. It will have been gathered from sections 6 and 9 that when the quarterly totals of the books of entry are all posted to their respective (Private) Ledger accounts, the aggregate of the postings on the **Dr.** side of all the ledgers is equal to the aggregate of the postings on the **Cr.** side.

Therefore, an abstract of the quarter's postings (*m*) on the **Dr.** side of the ledgers should agree, in total, with an abstract of the quarter's postings on the **Cr.** side. The details of these abstracts are entered in the Balance Book.

Sec. 20. The Balance Book is divided into four sections; the number of pages allotted to each section being regulated by the probable number of accounts to be opened in the respective ledgers.

The Sections are appropriated as follows, viz. :—

- (i.) For the abstracts from the Purchases Ledger.
- (ii.) do. do. Sales Ledger.
- (iii.) do. do. Private Ledger.
- (iv.) For a summary of the totals of the foregoing sections.

(*l*) In ordering this book, observe the directions given in the advertisement at the end of the treatise.

(*m*) As indicated in the note (*c*), page 6, throughout our illustrations quarterly periods of balancing are chosen as being generally most convenient, but exactly the same course would be followed were monthly, half-yearly, or other periods adopted.

Sec. 21. Every page is ruled into fifteen columns, and Sections i., ii., and iii. are commenced by entering in columns 1, 2, 3 and 4, the particulars (abstracted from the ledgers) indicated by the headings of the columns, viz. :—

In column 1 the folio, and in column 2 the name or heading of every account in the ledgers, entered *seriatim* on the BLUE lines (n).

In column 3 the Dr., and in column 4 the Cr. balance of each account (if any) on January 1st, 1892.

In Section iv. a summary is prepared of the totals of the entries in Sections i., ii. and iii.

Sec. 22. The Balance Book is then allowed to rest until 31st March (m), when the first Trial Balance is prepared.

The trial balance should be prepared as soon as the quarter's postings have been completed. The sums of the postings during the quarter on the Dr. and Cr. sides of each account are abstracted from the ledgers and entered in columns 5 and 6 on their respective lines.

For instance (see Specimen Ledger Accounts, page 26) Purchases Ledger, folio 1, Besant & Rice, during the first quarter items amounting to the sum of £170 9s. 6d. are posted to the Dr. side, and items amounting to £248 5s. 4d. are posted to the Cr. side. These two sums are inserted in columns 5 and 6 of Section i. of the Balance Book (see page 28) on a line with the name. Compare also similar abstract from Sales Ledger, folio 1, Browning & Swinburne.

(n) When abstracting from ledgers that have been in use previously, the heading of every account already opened therein with which it is expected that there will be any dealings during the current year should be entered in the Balance Book, although there may not be any balance of the account at the commencement of the year. The headings of new accounts, that may be opened during any quarter are entered when the quarterly abstracts are taken out, and follow in order after the accounts previously entered, whether the folios of the ledger are in proper numerical sequence or not.

The totals of columns 5 and 6 of the three sections are summarised in Section iv., and if the aggregate totals correspond, the **Dr.** with the **Cr.**, the accuracy of the postings for the quarter is thereby proved. Should the aggregate totals not correspond, recourse must be had to the Test Journal in order to discover the error which causes the difference.

Sec. 23. Trial Balances are prepared in precisely the same manner as explained above at the end of each of the three succeeding quarters.

The postings for the quarter ending June 30th, are entered in columns 7 & 8

do.	do.	Sept. 30th,	do.	9 & 10
do.	do.	Dec. 31st,	do.	11 & 12

Sec. 24. When the four quarterly trial balances are all completed, there is in the Balance Book a compendium of the contents of all the ledgers; and on the 31st December the balance of every account is ascertained therefrom, in order to prepare a Balance Sheet and Trading Account.

The figures on the horizontal lines of the Balance Book are severally added across the page, and the *lateral total* of each line is inserted in column 13. It will be observed that all sums abstracted from the **Cr.** side of the *Purchases Ledger* are entered on the blue or *upper* lines (see Section i., columns 4, 6, 8, 10 and 12, pages 28 and 29), and that all sums abstracted from the **Dr.** side of the *Purchases Ledger* are entered on the red or *lower* lines (see columns 5, 7, 9 and 11, pages 28 and 29). In the abstracts from the Sales and Private Ledgers (Sections ii. and iii.) the position of the figures is reversed, the **Dr.** figures being on the blue or upper lines and the **Cr.** figures being on the red or lower lines. This plan is contrived so that all sums on the **Dr.** side of each account being on a line distinct from those on the **Cr.** side, lateral additions may be made across the page on

December 31st, and the respective totals of the **Dr.** and **Cr.** sides of each account ascertained. By reversing the position of the figures, as explained above, the *larger* total in nearly every instance comes on the upper line in column 13, thus facilitating the process of subtraction. The totals at the foot of each page, and also the totals carried forward to the next page, are likewise carried out on distinct lines. It is better, however, where many pages of the Balance Book are employed, to carry the totals of each page to a summary and not to carry them forward.

The totals of the two (blue and red) lines relating to each account are compared, and when unequal the smaller amount is subtracted from the larger. When the lateral total of the horizontal line bearing the abstracts from the **Cr.** side of the ledger exceeds the lateral total of the line bearing the abstracts from the **Dr.** side, the difference is entered in column 15, as a **Cr.** balance (see Section i., page 29) and, *vice versa*, when the total of the **Dr.** line exceeds the total of the **Cr.** line, the difference is entered in column 14, as a **Dr.** balance (see Section ii., pages 29 and 31).

Sec. 25. The totals of columns 14 and 15 are summarised in Section iv., and the aggregate totals, **Dr.** and **Cr.**, if the work is correctly performed, must necessarily correspond (o).

A list of balances abstracted independently from the ledgers on December 31st would be identical with columns 14 and 15 of the Balance Book, and the balances may in practice be thus individually verified.

(o) It has been shown that the aggregate totals of the alternate **Dr.** and **Cr.** columns 3 to 12 correspond one with the other, and the process of subtraction in ascertaining the remaining balances does not affect the equilibrium, but merely cancels a like amount on both the **Dr.** and **Cr.** sides.

Sec. 26. With the assistance of the list of balances contained in columns 14 and 15, the Balance Sheet and Trading Account are constructed in the manner described in Chapter VIII.

Sec. 27. Immediately after the preparation of the Balance Sheet, each section of the Balance Book should be re-commenced on a new page in readiness for the next year's accounts.

Sec. 28. At the end of any quarter, the amount of the outstanding balance of any particular account, or the total of the outstanding balances in each of the ledgers, can be readily ascertained by adding laterally the blue and red lines, and subtracting the smaller total from the larger. Thus, to ascertain the total Dr. balances in the Sales Ledger on June 30th, see pages 30 and 31 :—

Blue or upper line..20159 14 4+25537 6 11+27273 3 10=72970 5 1

Red or lower line ..12472 7 9 + 27341 10 9 = 39813 18 6

72970 5 1 - 39813 18 6 = 33156 6 7

CHAPTER VII.

THE TEST JOURNAL.

See Specimen Account **E**, pages 32, 33.

Sec. 29. The Test Journal is ruled into eight vertical divisions, the use of each being explained by its printed heading.

Column 1 receives the descriptions, and column 2 the quarterly totals of the several books of entry.

Columns 3 to 8 are used to classify the entries according to the ledgers to which they have been posted. (Compare secs. 15 and 16).

Sec. 30. On the principles laid down in sec. 9, it is evident that the quarterly grand totals of Test Journal (column 2) should agree with the quarterly grand totals of the Summary (Section iv.) of the Balance Book; for the Test Journal contains an abstract of the total *entries* in the books of entry, and the Balance Book contains an abstract of the total *postings* to the ledgers.

It follows, also, that when the entries are classified in columns 3 to 8 of the Test Journal, the total of each *column* of the Test Journal should agree with the total of the corresponding *section* of the Balance Book. (See Key, vii., page 37).

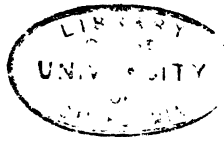
The method of classification has been explained in Chapter III.

Sec. 31. In case of a transfer from one ledger account to another, as there is no separate book of entry for transfers, (p) the amount is entered separately in the Test Journal (see examples, pages 32 and 33, and compare sec. 16).

Sec. 32. In the examples, the quarterly totals of the several classification columns of the Test Journal will be found to agree in each case with the quarterly totals of the corresponding sections of the Balance Book. (See Key, page 37). In the event of a discrepancy arising when the Trial Balance is being prepared, *it is only necessary to examine the entries and postings comprised in the particular column and section where the discrepancy appears.* Errors being thus localised, the ledgers can be balanced one by one, and the **Dr.** and **Cr.** sides of each separately. (See sec. 10).

Sec. 33. It may be useful to point out that, provided the original entries in the books of entry have been faithfully recorded, a principal may satisfy himself as to the accuracy of the book-keeping by preparing the Test Journal himself, and seeing that it corresponds with the Balance Book, which may be entered up by his Book-keeper.

(p) Where transfers are very numerous a separate book of entry may be employed in which to record them, and the total of such book would appear in the Test Journal.



CHAPTER VIII.

THE TRADING ACCOUNT AND BALANCE SHEET.

See Specimen Accounts **F** and **G**, pages 34, 35.

Sec. 34. It is assumed that the reader, having before him a Trial Balance, has sufficient knowledge of book-keeping to enable him to prepare a Trading Account and Balance Sheet (*q*).

Sec. 35. Columns 14 and 15 of the Balance Book (see pages 29, 31) contain all the balances in the Ledgers on 31st December.

(*q*) There exists a great deal of uncertainty as to the precise meaning and application of the titles "Trading Account" and "Profit and Loss Account," and it is desirable that the distinction between them should be made clear. A "Profit and Loss Account" records the *profit or loss* arising from the several ventures or branches of business in which a trader is or has been engaged, and the manner of its appropriation. A "Trading Account" records the *income and expenditure* connected with each venture or branch of trade.

The examples given in many treatises on book-keeping illustrate the accounts kept by a merchant who trades in Wool, Tea, Sugar, etc. An account is opened for each commodity, which records its cost and attendant charges and expenditure on the one side, and the amount realised from its sale on the other. The difference, whether profit or loss, is carried to the Profit and Loss account. It would be quite proper to describe these accounts as *Wool Trading Account*, *Tea Trading Account*, and *Sugar Trading Account*, &c. The result of the trading in each commodity is summarised in the Profit and Loss Account.

The Profit and Loss Account is seldom required in the books of a trader carrying on one branch of trade. In businesses where there are several departments, the result of the trading in each department may be transferred to a Profit and Loss Account. In the books of a public company, or a partnership where the appropriation of profit or loss is complicated, the result of the trading may be transferred to a Profit and Loss Account; but in simple cases, the Trading Account may be divided into sections, and the final section will answer the purpose of the Profit and Loss Account.

The total of the balances in the Purchases Ledger is placed on the left hand side (*r*) of the Balance Sheet as "Sundry Creditors £7590 18s. 4d." (see page 34).

The total of the balances in the Sales Ledger is placed on the right hand side (*r*) of the Balance Sheet as "Sundry Debtors £20704 17s. 1d." (see page 35).

Sec. 36. The balances in the Private Ledger are dealt with as follows :—

		£	s.	d.
Folio 1.	Purchases Dr. Balance	46716	5	6
3.	Wages do.	21749	12	4
6.	Office Salaries ... do.	532	12	0
7.	Travellers' Salaries			
	and Expenses ... do.	1218	8	10
11.	Bad Debts ... do.	209	3	2

Each of the above accounts is closed by a transfer to the Dr. of the Trading Account (see page 34).

		£	s.	d.
Folio 2.	Carriage Dr. Balance	784	14	9
5.	Rent, Rates, Taxes,			
	etc. do.	2955	17	9
10.	Trade Charges ... do.	4781	5	2

In section 17 it is stated that certain amounts owing on each of the above accounts, representing accruing liabilities

(*r*) It will be observed that the accounts are placed in the Balance Sheet on reverse sides to those on which they are placed in the ledgers. The reason may be briefly stated as follows :—

(1.) The function of the Balance Sheet is to shew the position of the business in regard to its owner. The assets are placed on the right hand side to his **Cr.** and the liabilities are placed on the left hand side to his **Dr.** The surplus of assets over liabilities represents his *Capital*, and is a balance in his favour, which may be brought down to his **Cr.** and stated in one sum.

(2.) The function of the ledgers, *inter alia*, is to shew the relation (whether **Dr.** or **Cr.**) between the surplus or balance brought down to the owner's **Cr.** and the several items of which such surplus is composed ; in other words, to shew the relation between the capital as a whole and its several parts.

and items not recorded, require to be taken into account. These amounts owing are passed to the **Dr.** of the respective accounts, and brought down to the **Cr.** of the same accounts for the ensuing year. These entries increase the balances as follows :—

	£	s.	d.		£	s.	d.	£	s.	d.
Folio 2. Carriage ..	784	14	9+	amount owing	175	17	8=	960	12	5
5. Rent, Rates,										
Taxes, &c...	2955	17	9+	do.	946	8	10=	3902	6	7
10. Trade Charges	4781	5	2+	do.	85	13	10=	4866	19	0

The accounts are then closed by transferring the increased balances to the **Dr.** of the Trading Account (see page 34). The amounts brought down to the **Cr.** of the accounts for the ensuing year are placed on the left hand side of the Balance Sheet as liabilities (see page 34).

£ s. d.

Folio 8. Discount on Sales...**Dr.** Balance 1303 13 10

In section 17, it is stated that a deduction has to be made from "Sundry Debtors" for Discounts. The deduction is passed to the **Dr.** of the Discount on Sales Account and brought down to the **Cr.** of the same account for the ensuing year. This entry increases the balance, thus :—

$$£1303\ 13s.\ 10d. + £517\ 2s.\ 4d. = £1820\ 16s.\ 2d.$$

The account is closed by transferring the increased balance to the **Dr.** of the Trading Account. The amount brought down to the **Cr.** of the account for the ensuing year is placed in the Balance Sheet as a deduction from Sundry Debtors. (See item, "Less Discounts, £517 2s. 4d.," page 35).

£ s. d.

Folio 9, Discount on Purchases...**Cr.** Balance 670 8 0

The treatment of this account and the amount to be deducted from "Sundry Creditors" referred to in section 17, is exactly the reverse of that of the foregoing, viz :—

$$£670\ 8s.\ 0d. + £192\ 9s.\ 10d. = £862\ 17s.\ 10d.$$

which sum is transferred to the **Cr.** of the Trading Account,

and £192 9s. 10d. is brought down to the **Dr.** of the Discount on Purchases Account for the ensuing year and is placed in the Balance Sheet as a deduction from Sundry Creditors.

Folio 4. Sales. ... **Cr.** Balance £93721 3s. 7d.

This account is closed by a transfer to the **Cr.** of the Trading Account.

			£	s.	d.
Folio 14.	Cash	... .. Dr. Balance	117	7	10
15.	Bank	... .. Dr. Balance	122	9	9
17.	Bills Payable	Cr. Balance	7960	13	9
18.	Bills Receivable	Dr. Balance	9780	2	4

The **Dr.** balances of folios 14, 15, and 18 are placed on the right hand side, and the **Cr.** balance of folio 17 is placed on the left hand side, of the Balance Sheet.

Folio 21. Plant & Machinery...**Dr.** Balance 24458 19 2

This balance is placed on the right hand side of the Balance Sheet, the additions during the year being shown in order that the Balance Sheet may exhibit all important information. The amount of Depreciation, £1588 10s. 0d., to be deducted (see section 17) is passed to the **Dr.** of the Trading Account and to the **Cr.** of the Plant and Machinery Account; it is also shown in the Balance Sheet as deducted from the value of the Plant and Machinery.

Folio 22. Trading Account (Stock)...**Dr.** Balance 49752 1 10

This amount represents the stock at the commencement of the year and appears on the **Dr.** side of the Trading Account. In section 17 it is stated that the Stock on hand on December 31st is valued at £48676 2s. 5d., and this amount is passed to the **Cr.** of the Trading Account; it is brought down to the **Dr.** of the same account for the ensuing year, and is placed as an asset on the right hand side of the Balance Sheet.

There remain the following accounts, viz :—

Folio		£	s.	d.
12.	Stuart Mill, Drawings... Dr. Balance	4860	2	10
13.	John Ruskin, Drawings... Dr. Balance	2009	2	0
19.	Stuart Mill, Capital ... Cr. Balance	64787	6	4
20.	John Ruskin, Capital ... Cr. Balance	17326	6	2

Folios 12 and 13 are closed by transfers to folios 19 and 20 respectively. In section 17 it is stated that interest has to be taken to account amounting to £3118 2s. 3d. on Stuart Mill's Capital, and £848 5s. 4d. on John Ruskin's Capital. These sums are, therefore, passed to the Cr. of the respective Capital Accounts and to the Dr. of the Trading Account.

The Trading account is now closed by transferring the balance of £5976 8s. 5d., which represents profit for the year, to the Cr. of the Capital Accounts, two-thirds being passed to the Cr. of Stuart Mill and one-third to the Cr. of John Ruskin.

The details of the Capital Accounts, showing the foregoing transfers, appear in the Balance Sheet.

Sec. 37. From what has been stated in this chapter, it is obvious that after the Balance Book has been completed at the end of the year, the final closing of the books and preparation of the Balance Sheet and Trading Account can be effected by transfers from one account to another, without the aid of a Journal or any book of entry. The closing entries are, however, often very much more complicated than those of the example given here. It may be desirable in some cases to employ a Private Journal, in which to record the various closing entries before passing them to their respective accounts in the Private Ledger. The author must not be understood to advocate the use of a Private Journal for the closing entries, but where one is employed, the Private Ledger

Accounts should show (in addition to the Private Journal folios) the folios of the accounts containing the corresponding Dr. or Cr. entries. For instance, in the Trading Account, the items, Depreciation, Interest on Capital, and Profit, should show the respective folios of the Plant and Machinery Account and Capital Accounts where the corresponding Cr. entries appear (s).

Sec. 38. As the sole object of this treatise is to deal with the subject of "Balancing," it would be beyond its scope to give more than a general outline of the Balance Sheet and Trading Account. There is much to be said as to the form and arrangement of both accounts, and of the information they should give. But, as each different trade would require separate consideration, all that can be done here is to urge the importance, first, of lucidity, and then, of condensation. The Balance Sheet should show clearly and concisely all essential information ; the manner of valuing the assets ; the discounts deducted from debtors and creditors ; the provision for bad debts ; the value of land, leases, buildings, plant, machinery, fixtures, etc.—the additions thereto and deductions for depreciation ; cash creditors distinct from trade creditors ; bills ; charges upon property, whether by way of mortgage or otherwise ; the state of the capital accounts of the partners—cash brought in or withdrawn by them—interest and profits or losses charged to their respective accounts—moneys owing by them to the firm, or *vice versa*. All these are points which should be exhibited distinctly on

(s) In order to avoid confusion as to the meaning of words employed, the use of the word "entries" in section 37 requires the explanation that, if recorded in the Ledger *only*, the item is an "entry," but if recorded first in a Private Journal and thence posted to the Ledger, the item is a "posting." The closing entries, coming after the books have been balanced, may be exempted from the rule stated in section 5.

the face of the Balance Sheet in such a manner that it should not be necessary to seek the information elsewhere.

Nevertheless, the Balance Sheet should be condensed within a small compass, and it should not contain unnecessary details. If the Balance Sheet is that of a Limited Company, then the particulars of its Share Capital should be shown, and moneys borrowed on Debentures, amounts owing in respect of interest and of dividends, and amounts owing by Directors, or other Officers, should be stated separately. Great care must be exercised in ascertaining that all liabilities and assets are brought to account, whether due or accruing, which are not at the time of balancing already entered in the books. Particular attention in this respect should be directed to such items as RENT, RATES, TAXES, WAGES, SALARIES, GAS, WATER, INSURANCE, COMMISSION, CARRIAGE, CURRENT REPAIR ACCOUNTS, BANK CHARGES, INCIDENTALS, DISCOUNTS, INTEREST, and any special items in regard to which invoices or statements are not rendered promptly.

CHAPTER IX.

ADAPTATION AND EXTENSION OF THE SYSTEM.

Sec. 39. In the vast majority of instances a business needs only one of each of the books mentioned in sections 2 and 3, but there are many concerns where the books required are much more numerous. This system of balancing is, however, capable of adaptation to very varied requirements.

Sec. 40. Extensive businesses are often divided into departments, and entirely distinct sets of books are kept and balanced separately. In such cases there is not any difficulty in applying the system, as each department is provided with a Balance Book and Test Journal, and its books are complete in themselves.

Sec. 41. In other cases the books are only partially distinct, the division of the business being very frequently into *selling* departments only. Even in comparatively unimportant trading concerns, subdivision of the Sales Ledger is often necessary where the transactions are small but numerous. Separate ledgers are kept for travellers, agents, town, district, country and foreign sales. A system of alphabetical subdivision is frequently adopted; one ledger containing, for instance, all the names commencing with A to D, another E to J, and so on.

Sec. 42. It is obvious that the multiplication of books does not alter the principles upon which they are balanced. Whether a thousand entries are posted to one or to twenty ledgers, or from one or from twenty day books, the result will

be precisely similar. The whole of the twenty ledgers may be balanced together as easily as one. Nevertheless, inasmuch as facility in the discovery of errors depends upon the means of localizing them, subdivision of the balancing may with great advantage be co-extended with the subdivision of the books, so that each ledger may be balanced separately. To do this, according to the principles laid down in sections 9 and 10, the books must be so arranged that the entries in each of the books of entry can be conveniently compared in total with the corresponding postings in the ledgers. For example, the books of entry posted to the Sales Ledger are, the Sales Day Book, the Returns and Allowances (Sales) Day Book, the Cash Book (with few exceptions the left hand side only) and the Bills Receivable Book. The entries in these books require to be classified according to the ledgers (*i.e.*, subdivisions of the Sales Ledger) to which they are posted. This classification may be effected, according to whether the items are more or less numerous, by means of:—

1. Separate books of entry for each Sales Ledger.
2. Separate columns in the books of entry for each Sales Ledger.
3. Detailed analysis of each book of entry.

It is usually expedient to employ a separate Sales Day Book for each Sales Ledger. Where cash is collected by travellers and a separate ledger is appropriated to their customers, as well as in many other instances, it is convenient to keep separate Cash Received Books, with discount columns. The entries in these books may be posted direct to the ledger, and periodical totals are transcribed into the general Cash Book. Where separate books of entry are used for each ledger the posting clerks can proceed with their work independently one of another.

A separate Balance Book, or a separate portion of the general Balance Book, may be allotted to each ledger.

Sec. 43. After comparing and reconciling the entries with the postings to each ledger, a summary of the totals of all the books of entry should be made in the Test Journal, and a summary of the totals of all the postings should be made in the Balance Book. However extensive the business and its sub-division, the Test Journal and Balance Book comprise within themselves a compendium of all the transactions of the business, and this should be brought to a focus in a general summary.

CHAPTER X.

OTHER METHODS OF BALANCING.

Sec. 44. There are numerous methods of balancing in use, but, allowing for modifications to accommodate the varying requirements of different branches of trade, the leading features of all the systems worthy of notice may be summed up as follows, viz. :—

A Trial Balance may be prepared :—

i. By making a list of all ledger accounts and placing alongside the name of each, in one column the sum of the postings to the **Dr.** side during the period, and in another column the sum of the postings to the **Cr.** side. If the grand totals of both columns agree one with the other the books balance. This method is practically incorporated into the system described in this treatise.

ii. By abstracting from the ledgers a list of the **Dr.** and **Cr. balances**, which remain after deducting the postings on the **Dr.** from those on the **Cr.** side of each account or *vice versa*. The grand total of the **Dr.** balances should agree with the grand total of the **Cr.** balances. This is actually shown in the Balance Book on December 31st. (See pages 29 and 31, columns 14 and 15, and sec. 25).

iii. By preparing a detailed analysis of the ledgers, wherein all the postings are dissected, classified and reconciled respectively with the several books of entry. The analysis is made on paper ruled with four or five vertical money columns for each side of the ledger ; the several columns being headed

to correspond with the books of entry. This method is exact, but very elaborate and cumbersome, while it requires a great deal of labour.

iv. By balancing each ledger separately, thus :—

- A. Ascertain the total of the balances of the particular ledger at the commencement of the period.
- B. Ascertain from the books of entry the total of the postings made to either side of the ledger during the period.
- C. Ascertain the total of the remaining balances at the end of the period.

Arrange as follows :—

e.g., Sales Ledger (*t*).

	£	s.	d.
Dr. side. Commencing Dr. Balances January 1st	20159	14	4
Postings from Sales Day Book	25395	17	0
Postings from right hand side of Cash Book.....	141	9	11
	<u>£45697</u>	<u>1</u>	<u>3</u>
Cr. side. Postings from Returns and Allowances			
(Sales) Day Book	781	4	8
Postings from left hand side of Cash Book	7120	1	11
Postings from Bills Receivable Book	4480	13	3
Transfer	90	7	11
Balances remaining March 31st	33224	13	6
	<u>£45697</u>	<u>1</u>	<u>3</u>

Sec. 45. In a small business where the books are kept by the proprietor himself, or in a business where the transactions are so diverse that it is impracticable to classify them, method ii. should be adopted. Methods i., iii. and iv. may be adopted with advantage in some instances, but it will be

(*t*) The figures are taken from our Examples, and will be found to correspond with the commencing balances and the first quarter's transactions. (Compare Balance Book, page 30, columns 3, 4, 5 and 6, and Test Journal, page 32, columns 4 and 7).

observed on carefully examining the method described in this treatise, that it accomplishes all the ends attained by any and all the methods i. to iv.; while it is complete in itself, it requires less initial labour than any except method ii., and in the end it invariably saves time. The apparent simplicity of method ii. has led to its general adoption, but it fails in the most important feature,—it does not afford any clue to the whereabouts of errors in the book-keeping when the Trial Balance fails at the first attempt. This defect frequently causes the tedious operation of re-checking all the books in order to discover the discrepancy. In most large establishments, where the transactions are very numerous, some expedient is adopted for localising errors, and the author has lighted upon many extraordinary schemes, involving great waste of clerical labour, in order to achieve this most necessary end.

CHAPTER XI.

PREVENTING, AVOIDING AND DISCOVERING ERRORS.

Sec. 46. The preparation of a Trial Balance discovers only certain classes of errors; and balancing should be regarded as a means of proving the arithmetical accuracy of the postings, rather than as a means of discovering inaccuracies in the book-keeping. Prevention, in regard to errors, is obviously better than cure, and every reasonable precaution should be taken to ensure correct work as the book-keeping proceeds. Practice and experience are better than precept in this matter, but the following rules and suggestions will be found useful.

Sec. 47. To prevent and avoid errors:—

Call over all postings to the ledgers: where two or more clerks are employed, one clerk should take the book of entry and another the ledger.

Check all additions and the totals carried forward to subsequent folios. Ascertain also that the totals are carried forward to their proper columns.

Clear up and rule off Ledger Accounts as settlements are made, and always see that the remaining balance of an account is made up of current specific items.

Balance cash, and call over the items of the Banker's Pass Book and reconcile with the Cash Book, at frequent intervals. Irregularities in the cash, if honest, generally mean mistakes in the books.

Do not make erasures in the books.

Let each day's transactions be entered up during the day. The memory fails and omissions and mistakes arise when work is allowed to accumulate.

Always date entries and postings precisely—giving the year where not already stated—and keep them in order of date. Avoid interpositions at irregular dates.

Do not make indistinct figures, especially such as 0 and 6, 3 and 5, 7 and 9, which are often mistaken one for another.

Be careful to place the units, tens, hundreds, &c., directly under one another, as irregularity in this respect frequently causes errors in addition.

Never copy or transcribe figures that are added up without re-casting the copy.

Sec. 48. To discover errors when preparing the Trial Balance; observe that :—

A difference of 10/- may arise :—

- (i.) From an error in addition,—the pence and shillings columns should be re-cast.
- (ii.) From an error in posting,—call back and tick, *from the ledger to the books of entry*, one half the postings, *i.e.*, either those *with*, or those *without* double figures in the shillings column. If the mistake is not discovered whilst calling over the postings, the item which causes the error will be found without a tick in the books of entry.

Differences of £10, £100, and £1000 usually arise from errors in addition. Such errors, and also errors of 10/- and 10d., may be caused by the figure 7 or 9 being made so long that it comes before a figure or figures on the line beneath.

Errors of transposition are very common, such as 19s. 9d. for £19 : 9s. : 0d., or £24 : 5s. : 0d. for £20 : 4s. : 5d. The clerk who calls out the entries should habituate himself to

careful articulation. It is not sufficient for him to say *nineteen nine*, or *twenty, four, five*, but **nineteen pounds, nine shillings, and twenty pounds, four shillings and fivepence**. The posting clerk should repeat the figures.

Errors of transposition are very difficult to discover, but it can be ascertained at once whether a transposition is the cause of a difference in the trial balance by adding as follows to the amount of the difference :—

To the pence, sufficient to make up a shilling :

To the shillings, sufficient to make the shillings as many as the number added to the pence :

To the pounds, sufficient to make the units of pounds as many as the number added to the shillings, and so on.

Thus, assume the difference in the trial balance

to be	...	...	...	...	...	77	0	6
					Add (u)	8	5	6
						<u>85</u>	<u>6</u>	<u>0</u>

showing that a transposition of £85 : 6 : 0 for £8 : 5 : 6 may account for the difference of £77 : 0 : 6.

If the figures do not coincide as shewn, the difference in the Trial Balance is not the result of a single transposition of figures.

Sometimes an item is posted to the wrong side of the Ledger, in which case the columns of the Test Journal, when compared with the Balance Book, would show a difference of

(u) 6 is added to make up the pence to a shilling.

5 is added to the shillings to make them into 6, equal to the number added to the pence.

8 is added to the pounds to make the units 5, equal to the number added to the shillings.

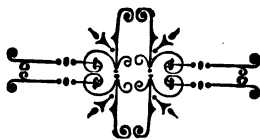
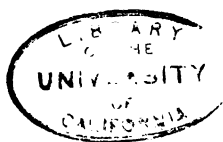
The tens of the pounds require nothing further to be added to make them into 8, equal to the number added to the units.

a like sum on both sides of the Ledger in question, and the item could be discovered by seeking for the amount in the book of entry.

When the abstracts of entries in the Test Journal exceed the abstracts of postings in the Balance Book, the difference may arise from an entry not being posted.

When the postings in the Balance Book exceed the entries in the Test Journal, the error may arise from a posting being abstracted which belongs to a previous quarter. To prevent this a tick should be placed after the postings when the abstracts are made so as to show to what point the account has been abstracted. See Specimen Accounts A. and B., page 26.

In conclusion, a word of advice, always persevere until a mistake is discovered ; it will not rectify itself by delay.



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